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**** It is proposed to publish from time to time in Lloyds Bank Monthly Review signed articles by economists of standing, affording opportunities to exponents of different theories to state their case. The Bank is not necessarily in agreement with the views expressed in such signed articles.*

Money, Prices, and Unemployment

By Sir William Dampier-Whetham, Sc.D., F.R.S.

DURING recent months there has been much discussion about the connection between depression in trade with its accompanying unemployment and the average prices of commodities, and also about the effect of monetary changes on both trade and prices.

Some of those who speak or write on these subjects do not seem to appreciate the historical lessons of the last twenty years or the recent work of economists, and I think the time has come when a summary account of the increase in our knowledge and of the deductions which may be drawn from it may perhaps be useful, especially if we try to distinguish those that are certain from those still doubtful.

Price is the amount of money in cash or credit we pay for one unit of a service or commodity. Thus, in considering its theory, we have to bring into account not only the supply of goods and services but also the amount of money available. If money is plentiful, it will be cheap relatively to goods, and prices will rise. If money is scarce, more goods must be given in exchange for it, and prices will fall. Speaking broadly, the recent controversy is between those who fix their eyes on the output of goods and those who see only variations in the quantity of money. In reality both must be brought into account; there are, as usual, two sides to the equation.

This is indeed the essence of the well-known Quantity Theory of Money, an old idea, the mathematical formulation of which we owe to the Americans, Simon Newcomb,

astronomer, and Irving Fisher, economist. If, in a given time, a number r of business transactions are carried out at an average price p, the sum of money changing hands in that time is clearly measured by rp, the number of transactions multiplied by the price. But it is also equal to the total amount m of money in use, including both cash and transferable credit, multiplied by the number of times it is turned over, that is, by its velocity of circulation v. Thus, we get the equation

$$rp = mv, \text{ or } p = \frac{mv}{r},$$

from which we see that the average level of prices is proportional directly to the total amount of money in use and to its velocity of circulation, and inversely to the number of business transactions to be done with that money. This is the crude form of the quantity theory; it is true, indeed a truism, as thus set forth, but, like most elementary theories, it needs care in its application.

In all discussion on the theory of prices, it is necessary fully to realise that we are dealing with averages only. The price of some commodities may rise and that of others fall owing to special causes, but, if we are seeking for general economic factors, we must calculate an index number, giving the average price of all the commodities considered, compared with its value at some fixed date.

If all the money available enters into one side of the equation, all transactions for which money is paid must be brought into the other—sales of land and of Stock Exchange securities as well as of goods and services. But then we have no appropriate index number giving the average level of all such prices, and, in this simple form, the theory tells us nothing about the relation between the aggregate of all money and the ordinary index numbers giving the average prices of either wholesale or retail commodities, though attempts have been made to bring these indices into the theory with more or less success.

Again, improvements in banking methods may increase both the amount of credit raised on a given basis of cash and the velocity with which it may be turned over. Moreover, since there is clearly a connection between the number of business transactions and the velocity of circulation of money, v and r are not independent variables, and some economists think it

better to confine our attention to conditions in which it is reasonable to assume that v/r is constant, when p the price-level becomes simply proportional to m, the total amount of money in cash and credit. In this form the older quantity theory may be tested by the slow historic changes in money and prices, in which temporary disturbances are eliminated. For quicker changes, it is difficult to bring into account all the varying factors of the problem, and a more detailed treatment is necessary.

Recently the theory of prices has been examined from another angle, chiefly by Mises and Schumpeter on the Continent, and by D. H. Robertson and J. M. Keynes in England.* Their work constitutes the greatest advance made in economic theory for many years, and it is useless for anyone now to discuss the economic state of the world without understanding and taking account of their results. The main outcome of their mathematical analysis can perhaps be expressed intelligibly in words. If part of the income of a community be diverted from spending to saving, there will be less demand for goods for consumption. If the savings are put into new investment, this fall in the demand is balanced by increased orders for means of development—factories, machinery, etc., and, if the new investment is remunerative, the wealth of the world is increased. But the decision to save is not always made by the same people or on the same principles as the decision to invest, so that investment need not keep pace with savings. If enterprise is lacking, savings may be left in idle hoards or Bank deposits, and the reduction in demand for goods of consumption leads to a smaller trade and a fall in prices. This is the ground on which Mr. Keynes bases his advice to spend freely in the present crisis in the World's affairs—advice which will be discussed critically later. Even when savings are invested, if no new and profitable trades are developing and savings are used to expand old trades, any want of elasticity in demand for their products may lead to over-production in them and again to a fall in prices. The demand for the simpler necessities of life is limited. As expenditure rises, it seeks other outlets in varied and changing fashion. Hence, when the World is saving, new industries are needed to prevent old ones from being depressed.

* "Banking Policy and the Price Level;" D. H. Robertson, London, 1926. "A Treatise on Money;" J. M. Keynes, London, 1930, 2 vols. See also a review of the latter book by Sir Josiah Stamp, *Economic Journal*, June, 1931.

The mathematical investigation of these relations leads to equations of the form

$$P = W + \frac{I - S}{O},$$

where P is the price level of the total output O in a given time, W the cost of production, I the value of new investment as distinguished from its cost, and S the amount saved, that is the part of income not used on current consumption.

Thus, the price level of output as a whole and, as other equations show, the price level of consumption goods, or its reciprocal, the purchasing power of money, depend partly, as is obvious, on the cost of production. Therefore, if technical processes are improved, as they have been during the last ten years, naturally prices fall. This real cheapening of goods must eventually prove beneficial, though it may for a time lead to over-production and unemployment in some trades. But prices also depend on the second term in the equation, that is, on the difference between new remunerative investment and savings: the price level is lowered if savings exceed new investment, as, indeed, is indicated by the elementary, common-sense considerations given above.

Another result which comes out of recent analysis is the importance of profit. If Q be the profit made in excess of the normal rate of interest per unit of output, Keynes shows that Q is equal to I − S, so that a mathematical relation between prices and excess profits can be deduced.

Finally, if account be taken of the liquid capital available, the equations reduce to relations of the same type as Fisher's quantity theory, though involving somewhat different factors.

And now, in the light of this explanation of the new work of economists, we can turn to the consideration of the practical results of changes in price and in the monetary factors underlying them.

The practical effects of rising or falling prices are easily analysed, and have been clearly illustrated by the history of the last thirty years. If prices are rising faster than costs, goods become more valuable while being made or stored; fixed charges, defined in terms of money, become less onerous in terms of goods and services; profits are made, enterprise encouraged, and wealth increased. If, at the same time, methods are improved so that real costs are lowered, real wages

can safely be raised and a higher standard of life made possible for all.

If prices fall owing to a cheapening of production, the result depends largely on the elasticity of the market. When the increased output is absorbed at the lower price, profits may be maintained or increased, but, when the elasticity is small and a reduction in price does not bring much increase in consumption, temporary distress in those trades will follow. If, on the other hand, prices fall owing to a scarcity of money, or to a failure of new investment to keep pace with savings, that is, if the value of money grows greater, the effects of rising prices are reversed. People with fixed incomes from bonds or sheltered wages gain as prices fall ; but the farmer, the manufacturer, and other active producers find the market always against them ; costs lag behind prices, charges fixed in terms of money, whether public debt or private loans, need a larger and larger fraction of the produce of industry to pay them, profits are turned into losses, enterprise is checked and unemployment becomes rife. These effects react on their causes, lowering demand and thus prices. The whole process becomes cumulative.

Next, bearing these principles in mind, let us look at some well-known historical facts. The variation in the general level of prices, if set forth on a graphical diagram, shows long-term tidal drifts, up or down, lasting perhaps for twenty, perhaps for two hundred years. Superimposed on these slow tidal movements are the shorter waves of the trade-cycle, each with a length of from five to ten years.

From what has been said above, we should expect the quantity theory of money in its simple form to apply to the long-term tides alone. The amount of money available does not control the period of the trade-cycle or the depth of the troughs in the wave. But it does put a limit to the height of each succeeding crest of prosperity, and thus it determines the general trend of the long-term drift of prices.

Let us then in the first place, leaving the short-term oscillations of the trade cycle for future consideration, trace what industrial relations we can find between (1) the amount of money in those countries forming the modern economic world, (2) the level of prices over a long term of years, and (3) the general state of trade as concerns prosperity and adversity.

Although its supreme economic importance seems seldom to have been realised, it is a commonplace fact of history that periods when the amount of money in circulation is increasing rapidly show rising prices and trade prosperity; not, as children think, that money is wealth, but because rising prices favour the economically active members of the community. After the discovery of the New World, the store of gold and silver from the hoards of Mexico, and the larger quantities obtained from the mines of Peru, were poured into Europe. In Spain prices began to rise about 1520, and by 1600 had been multiplied by five.* During the first three-quarters of this period, prices kept ahead of costs as measured by wages; profits were high; enterprise was stimulated by prospects of gain, and Spain reached its zenith of wealth and power. After about 1580, owing to an increasing demand for services, wages rose too fast, profits sank, land went out of cultivation and the greatness of Spain was eclipsed. In France and England the rise in prices began later and did not reach so high a level. On the other hand, the rise in rents was small and wages remained relatively lower than in Spain, so that profits were made freely for a longer period—in England from 1550 till about 1650, and in France from 1530 to 1700. Hence these nations, in the periods when they were well governed, rose in wealth and power while Spain declined. Too fast a rise in nominal salaries and wages, and thus in costs of production, prevents that increase in wealth which alone makes possible a continued rise in the standard of real wages and other incomes.

As another illustration, let us take the economic history of the nineteenth century. After the Napoleonic wars, England adopted the gold standard, the demand for gold increased and the value of money rose. In spite of the greater output of goods and the cheapening of production due to industrial development, trade was depressed, and the depression lasted till the later '40's. About 1848 the tide turned, and prosperity once more appeared, here again coincidently with—surely in part caused by—an influx of gold, this time from the mines of Australia and California. Money, being plentiful, became cheaper in terms of goods; that is, prices rose, profits became possible, and

* See the work of Prof. E. J. Hamilton, e.g. *Economica*, Nov., 1929. Historical illustrations will be found in my *History of Science*, Cambridge, 1929, pp. 74, 110. A fuller historical sketch is given in J. M. Keynes' book, *A Treatise on Money*, London, 1930, vol. ii, pp. 148 to 208.

enterprise found an outlet in building railways and opening up new countries. British agriculture, giving good returns, reached a high pitch of excellence and renown. But in 1871, Germany, shortly to be followed by the United States and the countries of the Latin Union, demonetised silver. The consequent need for gold-reserves, coming when the existing mines were proving inadequate, increased the demand relatively to supply and so put up the commodity value of gold, that is, lowered prices. A depression began, the true causes of which were clear to some people. Indeed, in 1878, several nations were ready to remonetise silver and adopt a bi-metallic standard, but were prevented chiefly by the influence of Great Britain. The depression deepened till about 1896.* By the early nineties, gold from South Africa had appreciably increased the amount available for money, and credit became cheap, but confidence in profits and consequently enterprise were lacking, so that it was only when a short-term wave started a temporary boom, that a long-term upward tide began to flow. This rising tide lasted from 1896 to the beginning of the war in 1914. Prices were moving up slowly, modest profits were being made, and industry was in a healthy state, save that wages were not raised fast enough and the natural desire for higher wages to meet the higher cost of living was leading to industrial unrest.

During the war the need for military goods and services produced an equivalent need for means of paying for them. The gold standard, supposed to be a safeguard in dangerous times, was abandoned in 1914 as the first of war measures. Plentiful Bank money was created, and wages and other incomes rose faster than the goods they were used to buy could be manufactured. Hence prices moved upward, in the later years of the war at a portentous rate, and profits, voluntary and involuntary, became larger and inevitable. The demand for goods continued, even increased, after the war, and the consequent post-war boom lasted till 1920.

In that year a natural reaction, helped by deliberate deflationary measures, began. In 1919 the British Government had adopted the Report of Lord Cunliffe's Committee, and took an ultimate return to the gold standard at the old parity as the

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* For the causes of the agricultural depressions in 1875–1900 and in the post-war years see R. R. Enfield, "The Agricultural Crisis," London, 1924; also my "Politics and the Land," Cambridge, 1927, and Article in LLOYDS BANK MONTHLY REVIEW, October, 1930.

aim of its financial policy. It is probable that the announcement of this decision had something to do with the turn of the tide. Prices began to drop in Great Britain and Japan in April, 1920, and by September in most other countries; they fell precipitately at first, and then more slowly till 1923, when a slight recovery gave promise of better things. But in 1925 our financial authorities decided that the time had come to return to the gold standard, and moreover to revert to the old definition of the pound as containing 113 grains of fine gold. Anticipation of the effects of this decision, and deflationary action by the Treasury and the Bank of England, forced up to par the value of the pound from about 10 per cent below parity where it stood in 1924, thereby, of course, lowering the prices, measured in pounds, of all commodities with a world market. Since costs could not be reduced simultaneously, this drop in prices was disastrous, especially to our coal and iron trades, and led directly to the coal stoppage and general strike of 1926. Moreover, the decision to recover the pre-war definition of the pound meant an enormous handicap on this country's competitive power compared with that, for instance, of France, who wrote off four-fifths of her national debt by fixing a new value for the franc, and, still more important, was thus able to keep her costs of production, especially wages, at a level not much more than half that which became established in England.

Thus from 1925 onwards our currency was again anchored to gold, and our trade subjected to all the uncontrollable variations in value of international money. As one country after another returned to gold and needed reserves, the demand for that metal increased faster than the supply, and a general downward trend of prices was established. Moreover, reparation payments and other war debts between Governments proved a new disturbing factor. France and the United States, the chief new creditor nations, with tariff-walls to stop natural methods of payment in goods, and without London's habit and machinery of foreign lending to absorb their balances, were perforce paid in gold, and hoards of gold, mostly useless from the international point of view, accumulated in the vaults of Paris and New York. In pre-war days, an accumulation of gold would usually have led to an expansion of credit, and to a rise in local prices, tending to check the export and stimulate the import of goods, thus reversing the movement of gold. But, in post-war America, much of the credit created went to finance

the Stock Exchange boom which culminated in 1929, and prices of stocks rose more than the prices of goods.

Meanwhile, a great increase, both in the scale and in the efficiency of many old industries, had been going on. Some had been improved during the war, some afterwards. In agriculture, for instance, between 1911 and 1928 the world's output of wheat rose by about 27 per cent, with little corresponding increase in consumption. In this way, owing to want of elasticity in demand, definite over-production in wheat and in several other primary products began to appear.

But from 1924 to 1929 in many countries of the world a great development in industrial equipment took place, especially in housing, electrification and road-transport. The United States invested gigantic sums in this way at home, and moreover, for a time, lent much money abroad to borrowing countries such as South America, Germany, and Australia, at very high rates of interest. Thus, in these countries also, new investment was going on rapidly, and in them debt was piling up.

This process of investment began to slacken in 1929. It might have continued if the rate of interest had been lowered. But just at this time the rate was raised in an attempt to check the Stock Exchange boom in Wall Street, and other nations had to conform in order to retain their gold reserves. New investment was thus further slowed down throughout the world and reduced below the level of savings. Moreover, owing to this combination of monetary and technical causes, debtor nations were being drained of purchasing power, were ceasing to find lenders from whom to borrow, and were becoming less and less able to pay debts which, fixed in terms of gold, dollars or sterling, grew continually heavier in terms of exportable produce as prices fell, that is, as the value of money rose.

Asiatic countries, in particular India and China, found their purchasing power diminished not only by social disturbances but also by the fall in the value of silver, in which much of their wealth is stored and internal trade carried on. The price of silver has fallen even more than the average of wholesale commodities; its gradual replacement by gold as a monetary metal in one country after another having naturally decreased the demand for its use. For the general conversion of the world to a gold standard Great Britain is largely responsible, and it is Great Britain that is suffering most, as the largest

exporter to the East, from the disastrous results of the consequent fall in silver.

International commerce has been accustomed to rely to a quite preponderating extent on the financial facilities supplied to the whole world by the City of London. Our nation's favourable balance of trade in pre-war years brought to London cheap credit, and the knowledge and skill acquired by our bankers and " merchants " in their long experience of the business done in London Banks, Accepting Houses, and Issuing Houses, enabled them to finance the world's trade from China to Peru. Thus the decrease in our export trades owing to high costs of production, not only brought ruin and unemployment to those trades themselves, but, by enormously diminishing the balance of credits entering England, curtailed the financial power of the City. International commerce, even between foreign countries, suffered acutely, and their purchases of British goods shrank yet more. Other Capitals, to which useless gold is now flowing, have not yet learned to do the work of London. The threatened collapse of Great Britain as an exporting country is recognised as a misfortune to the world at large by instructed foreign observers.* It was largely owing to the influence of the City of London that the decision to return to the gold standard was made, with all the deflationary action that decision involved : it was thought to be necessary in the financial interests of the City. But the consequent fall of world prices measured in pounds, by its disastrous effect on the export trades, has impaired, seriously if not irreparably, the basis on which London's financial supremacy rested.

Now I think it was a combination of all these many slowly acting factors which prepared the way for the disastrous slump in prices and trade in 1930. When the Stock Exchange boom collapsed in America, partly by natural instability and partly under the influence of rising rates of interest on bankers' loans, all these factors became operative. Once started, the effects reacted on their causes, and the movement became cumulative. All countries suffered, and England stood up to the first onset of the economic storm better than Germany or the United States; our output sank less, and the numbers of our unemployed increased by a smaller proportion of the working population than in those two protectionist countries.

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* See the Annual Report to their shareholders by the Directors of the great Swedish firm, Kreuger and Toll ; *The Times*, 9 April, 1931.

But we must not forget the lessons of the years which followed the equally disastrous slump of 1920–1923. Then also all countries felt the depression; England no more than the rest. But, while other nations adapted themselves to the lower level of prices and rebuilt their industry, we English lost much of our export trade, and, even when prices had ceased to fall, found ourselves left with a million unemployed. A few years later Holland and Switzerland, like England, forced up the value of their currency to its pre-war gold equivalent. They, too, felt the effects of deflation, but, unlike England, they recovered promptly. The danger that recent history may repeat itself is too great to be overlooked; it is possible that once more, after the slump of 1930, other countries may adapt themselves to the new low level, and England emerge from the fall with her trade again diminished, and with two and a half millions permanently unemployed.

It is, then, a matter of urgent necessity to discover the reasons which prevented our recovery after the fall in prices of 1920–1923 and the deflation of 1925; to examine the probability of their recurrence, and to ask ourselves in all seriousness, what we can do to prevent a further and worse economic catastrophe. If, when prices become steady and trade improves, other nations recover while we remain in this slough of despond, our whole economic structure may suffer irretrievable injury, and the day of England as a great nation may close for ever.

Now the immediate cause of our want of resilience from 1923 onwards is not in doubt. It was due to a failure to lower our costs of production into conformity with the new level of prices set by world deflation; the trials of transition being intensified in this country by the increase in the real value of the currency made necessary by a return to the gold standard at the old rate. Most other countries eased their position by devaluing their currency. Rightly or wrongly, we denied ourselves this relief; but we failed to see that our action involved lowering the total nominal charges on industry to correspond with the rise in the real value of money measured in goods and services. If charges remain constant while the prices of products continually fall, those charges must inevitably in the end absorb all profits, and the wheels of industry must stop.

It is necessary here as an aside to say a few words about profit. In some quarters it is fashionable to decry profit, even to regard it as an illegitimate deduction from the fruits of

industry. Yet the economic investigations we have described above show the importance of profit—as indeed do the results of commonplace reasoning. Unless profit is made, industry cannot survive, and unless some of it is reinvested, industry cannot expand. This is as true under socialism as under individualism ; even Russia has been obliged to secure a surplus in industry, imposing additional hardships on her people to carry out the " five year plan " of economic development. An industry which pays away all its receipts in interest, salaries, and wages can but stagnate, and one that so pays away more than its income will shrink, languish and die. If some industries make profits, other industries can be subsidised out of those profits, but if all make losses, the ruin of the nation is inevitable. Moreover, in an individualist system, there is no incentive for making new investment without prospect of profit, and in any system there is no justification for doing so. If a socialized State really started manufacturing " for use not profit," it would speedily run down a steep slope to economic catastrophe.

Now I think that there are two most important differences which distinguish England from countries which recovered more quickly and completely from the depression of 1920–1922.*

(1) The heavier burdens of national debt and private interest charges were made especially onerous by the fall in prices because they are payable in gold pounds, pounds which were first forced up into conformity with their old gold equivalent, and then increased in real meaning more and more as the value of gold rose in terms of goods and services.

(2) The English wage-system is now much more rigid than that of other countries, and imposes a heavier charge on industry in time of falling prices. In so far as the fall in prices is due to an improvement in technical arts and to a consequent real cheapening of production, it allows and justifies an increase in real wages. The workman should get his full share of the benefits of improved industrial methods. But, if prices are falling owing to monetary causes, fixed nominal wages mean burdens on industry continually growing heavier, with no corresponding increase in receipts.

* " The Post-War Unemployment Problem." By Henry Clay, London, 1929. " Britain and World Trade." By A. Loveday, London, 1931. " La Crise Britannique au XXe Siècle." By André Siegfried ; English translation, London, 1931. " The Economic Situation in Great Britain and in France." By Frédéric Jenny, Lloyds Bank Monthly Review, May, 1931.

Now in England since the War, owing to natural protection, prices and costs in sheltered industries have not fallen as have those in unsheltered trades, and workmen in sheltered trades have been able to maintain a large part of the increase in nominal wages which they gained in time of inflation. This has, of course, been made easier by the method of unemployment insurance adopted. Every effort is made to maintain what are called " trades union rates of wages," and thus the natural tendency of nominal wages to fall, so as to keep real wages roughly constant, has been counteracted. Consequently, a dislocation has appeared between wholesale and retail prices. At the end of 1930, while wholesale prices—for the most part of unsheltered primary products or raw materials—stood at about their pre-war level, retail prices— chiefly sheltered—were still 50 per cent or more above it. Thus, the costs of the sheltered trades, largely consisting of high wages, stop the fall in wholesale prices from getting through to retail goods and services ; by holding up the cost of living, these high nominal wages prevent their recipients and others from getting cheap food and other useful commodities, and, since the unsheltered trades have to use the high-priced goods and services of the sheltered trades in their low-priced struggle with world-competition, they are the indirect cause of depression, low wages, and unemployment in the export trades, and in those which, like cereal farming, are exposed to overseas competition. Artificially high wages in the sheltered industries are draining the life-blood of the unsheltered. A time of falling prices, which used to mean merely a time of temporary depression and readjustment, has thus been converted into a time of imminent national peril.

Sir Josiah Stamp has called attention to the correlation found by Rueff between unemployment in England and the ratio of average wages to wholesale prices, a ratio which Rueff regards as measuring the real wage cost to the manufacturer.* There is some doubt as to the significance of the index numbers when used in this connection; the graphs rise and fall together, but the correlation may not of itself prove causality. Nevertheless, the reasoning given above about wages in sheltered trades goes to support the natural inference that, when the demand for labour is less than the supply, from the economic,

* See Articles in the *Times*, 11th and 12th June, 1931.

though not necessarily from the human, point of view, the average price of labour is too high.

The trouble is that we all think in terms of nominal incomes, and resist their reduction. If we were willing to accept fewer pounds when the value of each pound is rising, the dislocation in industry would be much less, and a fall in prices would not be so disastrous as it is to-day. The rate of interest for short-term loans is now low, and for long-term loans is falling, though perhaps not fast enough; dividends which depend on industrial profits have shrunk or disappeared; but, if any suggestion is made that nominal wages in sheltered trades should be lowered, it is execrated as an attack on the workman's "standard of life." In such a psychological atmosphere, reasonable discussion is difficult.

We are all in favour of high real wages. Personally, I think the improvement in the standard of life of the people should be the chief practical aim of the economist and the statesman. It is true that the standard of life does not depend solely on money incomes. The skilful economy of the French household yields fuller value for money than is given by the more wasteful English ways, and there is room for education in this direction. But wage-rates are the most important factor. I believe that in the years before the War, wages did not rise fast enough, and I hold that workers should get their full share of any increased returns from industry. But the dislocation between wholesale and retail prices and wages, and the plight of the export trades, show that in England nominal wage-rates, in the sheltered trades, are too high. I feel sure that, taking the long view, for the well-being of the wage-earners themselves, no less than for the welfare of the nation at large, a reduction of nominal wages in sheltered trades is urgently necessary at the present time. The cost of living would come down, real wages in the unsheltered trades would rise, while real wages in the sheltered trades would fall much less than in accordance with the nominal reduction in rates of pay. The diminished aggregate purchasing power would be made good, partly by the fall in retail prices, and partly by the increased employment and reviving profits in the now depressed unsheltered trades.

Politicians of all parties are afraid to face the necessity of removing legislative and administrative obstacles to a fall in nominal wages, and talk much nonsense about the power of socialism, development loans or protection to get out of industry

as a whole more wealth than it creates. My distrust of democracy arises chiefly from a doubt whether it will allow nominal wages to be lowered when the value of money is rising —whether indeed it will not always prefer immediate benefits for the wage-earners to the ultimate welfare of the nation.

Now some economists think that it is unwise to attempt to bring about a general fall in nominal sheltered wages ; they rely on an increase in the efficiency of industry and a revival in trade ultimately to bring prices into conformity with costs. They reckon that the time of adjustment can be bridged by free spending to maintain trade, and perhaps by tariffs, for purposes of revenue and temporary protection, which would have some transitory effect in reducing the payments for imports and lightening for a moment the burden on industry. Others advocate (in terms of hardening our hearts, tightening our belts or other metaphors) a process of waiting till costs, including wages, are forced down as the pressure of economic necessity slowly permeates from the unsheltered to the sheltered trades. The " expansionists " rely on the increasing output of industry to overtake the costs of production. The " contractionists " think that industry cannot expand till the effects of falling prices have spread throughout the economic machine and the present dislocation has been adjusted.

It is sometimes argued that a definite choice between these two courses is inevitable—that we must follow either the expansionist or the contractionist policy in its entirety. Personally, I think that, at present at any rate, a middle course is safest. The expansionist, led by Mr. Keynes, seems to me to be gambling on contingencies some of which are unlikely to happen. In urging us to spend freely, irrespective of what other nations are doing, he ignores the effect of his policy in increasing the costs of production in the export trades, whose case is desperate already. He ignores the ominous probability that spending freely before the root-causes of our troubles are acknowledged and removed will increase the turn-over of the sheltered trades, lead to demands therein for even higher wages, and thus increase the economic dislocation faster than his remedies relieve it. In rightly arguing that no improvement is possible till new and sound investment overtakes savings, he overlooks the fact that such investment can only be expected when confidence in profit is re-established, and that this will only happen when prices rise or costs come down. Prices of

world commodities can only be raised deliberately by international agreement, but costs are under national control.

On the other hand, the contractionist appears to underestimate the power of the sheltered trades to resist the process of adjustment in wages and prices. He seems to ignore recent economic discoveries, and not to realize the importance of persuading the world to spend on goods of consumption or to make new investment, as a means of starting industry again and of raising the prices of world commodities to a remunerative level. The contractionist also seems to overlook the fact that, unless international action is taken, the long-term drift of prices may continue downward as the supply of gold diminishes and its mal-distribution increases; it may indeed fall faster than the tendencies on which he relies can correct the effects. If this happens, the burden of national debt, of interest charges and of wages—a burden ever increasing in terms of real goods and services as prices fall—will break down every economic machine. It seems certain that ours will be among the first to go : partly because our burdens are already great relatively to those of other countries, and partly because our wage-system has greater rigidity.

Therefore I believe that we should attempt to put in force simultaneously all these several remedies for our ills, hoping that some of them may prove efficacious, and that rising prices may meet and overpass falling costs.

Firstly, there are actions which can be taken by this country alone.

(1) Every effort should be made to improve the efficiency of industry, to cheapen costs and increase output. This may lessen for a time employment in certain industries, owing to economy of labour, but it must eventually increase wealth and therefore aggregate employment.

(2) As part of the process of reducing costs, nominal wages in the sheltered industries should be lowered. This might perhaps best be done by negotiation with the Trade Unions. But certain steps can be taken without their concurrence. The methods of unemployment insurance can be reformed. Government salaries and wages can be cut down as contracts run out, or by general agreement as part of a national effort, so that real incomes remain unchanged as the value of money rises. Local authorities can be relieved from obligations to pay fixed rates of wages, and urged to adjust them as prices fall. Since it is

partly these forms of employment which set the standard rates, the changes here suggested would probably produce a considerable effect throughout the whole range of the sheltered industries. Other classes have borne part of the burden of depression. Wages in unsheltered trades have been lowered. Profits in many trades have vanished, and company dividends with them. Rates of interest on deposits, etc., have fallen. Income tax and super-tax have been raised. If further sacrifices are called for as part of a national effort, direct taxation might be raised again; but to raise it with no corresponding contribution from sheltered wage-earners, to raise it merely to alleviate symptoms for a time while doing nothing to find a cure for the disease, will uselessly exhaust our national resources.

(3) Temporary specific measures may be desirable to help some of the depressed industries over the present crisis. I do not rule out protection in certain cases provided it is clearly temporary, and ends automatically after a term of years. I believe its beneficial effects to be mostly transitory, its harmful effects permanent. But, as a dangerous tonic, it may have its uses. Probably a quota system, as proposed for wheat, whereby the millers as a whole have to buy a certain fraction of their requirements in the home market, may prove feasible for some produce. Possibly subsidies may be justified to help export trades. But it must clearly be understood that all these are emergency measures, enacted for a time only, till costs of production have been brought down to an economic level, or reviving trade has raised prices.

(4) Doubtless confidence is lacking and enterprise is frozen. Where remunerative work can only be set in hand by national action, work that will directly increase national capital, yielding income directly in cash or indirectly in capacity to earn, it may be right to find the money needed to do it, even if that money must be raised by loan. "Relief work" is fatally uneconomic; but work that is really needed may incidentally bring relief. It is probable that any large scheme of development would be dangerous if carried out by one country alone, especially by this country, unless precautions were taken to prevent the demand for labour thus created from helping to maintain or increase the nominal rates of wages in the sheltered industries. Indeed, I think that any large expenditure should only be undertaken in connection with an agreement with the Trade Unions to lower sheltered wages. The want of any

such stipulation has probably meant that the millions already spent on development and relief work have done more harm than good to employment and to the general interests of the nation.

Secondly, we have to consider measures only possible by international consent. An agreement by all the chief countries to carry out development work, if need be by State action, might rescue us from our immediate depression. Again, as long as we adhere to the gold standard, all monetary reform needs international consent. As explained above, I hold that monetary factors are ultimately the chief cause of the world's economic troubles. It is true that no practicable monetary measure will now bring immediate relief: credit is plentiful and cheap; it is the potential borrowers who either have no sound security to offer or see no prospect of profit in borrowing. But it is important, indeed essential, to cure, if may be, the present mal-distribution of gold by cancelling or reducing war-debts,* or, if this be impossible, by persuading the new creditor nations to lend freely abroad. Again, the danger of a shortage of gold as the South African mines become exhausted should be met by international agreement to economize gold. This might be done in any one of several ways. It would be possible (1) for Central Banks to guarantee each other in raising the ratio of credit to reserves, (2) to adjust the gold-equivalent of currency from time to time as advocated by Irving Fisher, or (3) gradually to replace some of the world's gold reserve by silver taken at its market price,† and thus by one method or another, to allow a free expansion of credit when the business of the world revives and needs it.

Now it is, I think, no secret—indeed, it is clear from the foreign press—that one of the obstacles to any international agreement is the general belief in Europe and America that Great Britain, helpless in the deadly grip of organized labour, is in rapid process of economic and political decay, and that proposals for monetary changes, calculated to raise or to stabilize the general level of prices, represent Britain's last despairing effort to stay her downfall and recover her old economic and financial primacy. Therefore I believe that only after our

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* As this article was going through the press, President Hoover made his welcome proposal of a year's moratorium.

† Incidentally, this method would gradually raise the price of silver and restore purchasing power to India, China, and other silver-using countries.

national effort has been made, and the troubles peculiar to ourselves overcome, can we bring the other nations of the world into agreement on monetary policy. But, when we have put our own house in order, brought down our costs of production, re-established the competitive power of our export trades and thus recovered for the City of London a sound financial basis for its operations, we can once more speak with due weight and authority in the international councils of the world, and inaugurate those measures of monetary reform which are necessary for the permanent economic welfare of mankind.

Unemployment Insurance

THE first report of the Royal Commission on Unemployment Insurance is in some ways the most important State document that has appeared in recent years. Soon after their appointment, the Commission was invited to give their immediate attention to certain specific questions, namely :—

(1) The increasing indebtedness of the Unemployment Insurance fund.

(2) The increasing cost to the Exchequer of transitional benefit.

(3) The suggestion that benefit was being paid to certain classes of people in circumstances which the scheme was never intended to cover.

These matters are dealt with in the first or interim report, and the majority of the Commissioners make certain far-reaching recommendations.

The report begins by reviewing the history of the scheme, showing in particular how "transitional" benefit came into existence. A full account of these matters was given by Major Walter Elliott, M.P., in the April issue of LLOYDS BANK REVIEW, showing how the fundamental principle of "insurance," namely that there should be some relation between contributions and benefits, has gradually disappeared, and it is unnecessary to cover the ground again. It may be useful to recall, however, that transitional benefit is benefit paid to unemployed who had not paid thirty contributions in the two years preceding their present unemployment, and who therefore fall outside the scope of the insurance scheme proper. The cost of transitional benefit is a direct charge upon the Exchequer.

The urgency of the matter is illustrated by the following summary of the present situation, based upon the assumption that there will be a live register of 2,500,000 unemployed :—

INCOME.	£ mill.	EXPENDITURE.	£ mill.
Contributions—		Benefits—	
Employees	15·65	Claimants	61·25
Employed	13·65	Dependents of above	13·25
Exchequer	14·85	Transitional	35·00
Other Receipts	·40		
Total (insurance scheme)	44·55	Total Benefits	109·50
Exchequer (transitional benefit) ..	35·00		
Total	79·55	Cost of Administration	5·00
Deficit	39·45	Interest on Debt	4·50
	119·00		119·00

Summarising this account, the net result is that the national finances have to bear, in addition to their normal and legitimate burden of £14,850,000, £35,000,000 representing the cost of transitional benefit, and the growing indebtedness of the fund, of which the annual deficit of £39,450,000 is a fair measure. The effect of this was put in such cogent and authoritative terms by the Controller of Finance and Supply Services in H.M. Treasury, that we cannot do better than reproduce his evidence :—

" Even in the most favourable conditions so great an increase, so swiftly incurred, would overtax the Budget. In present conditions it would, taken in conjunction with the other continuing liabilities of the State both for War debt and otherwise, not merely disturb, but entirely upset the equilibrium of the Budget on the basis of existing taxation. In 1931 revenue must be expected to fall ; the extent of the fall cannot yet be estimated ; the fall requires to be balanced, if equilibrium is to be preserved, by reduced expenditure. The large debt charge, however, representing this year 41 per cent. of the Budget, is fixed and savings in other branches of expenditure, such as would balance a great increase on any one item, cannot be obtained except by wide alterations of policies approved by Parliament.

" The amounts borrowed by the Fund from the Treasury in the last three years and the amount that

may be similarly borrowed in 1931 on the basis of existing conditions are as follows :—

Year commencing 1st April.	Debt at commencement.	Net borrowing during year.
	£ *millions*	£ *millions*
1928	24·53	11·43
1929	35·96	2·99
1930	38·95	36·44
1931 (conjectural amount on basis of existing situation)	72 to 75	40 to 50

"The fluctuations in the extent of unemployment contrasted with the uniform rate of accrual of the income of the Fund renders it inevitable that the current revenue of the Fund will at some times be more than adequate to meet current outgoings. It follows that according to orthodox canons the Fund should possess a reserve to meet periods of stress ; for State borrowing for an unproductive purpose—i.e. an object not producing a monetary yield which will provide the service of the loan—such as the provision of money for unemployment benefit, is recognised to be unsound. In the conditions of to-day that position is unattainable. On the other hand, continued State borrowing on the present vast scale without adequate provision for repayment by the Fund would quickly call in question the stability of the British financial system. The State has every year to borrow large sums for various productive purposes. This additional borrowing—for purposes other than productive—is now on a scale which in substance obliterates the effect of the Sinking Fund. Apart from the impairment of Government credit which such operations inevitably involve, these vast Treasury loans are coming to represent in effect State borrowing to relieve current State obligations at the expense of the future and this is the ordinary and well-recognised sign of an unbalanced Budget."

Faced with this grave warning, the majority of the Commission rapidly came to the only possible conclusion, namely, that the drain upon public funds had to be tackled all along the line. They equally recognised the paramount importance of restoring to the scheme the true insurance

principle, namely, that there should be a proper relation between contributions and benefits. They have dealt with recognised abuses or "anomalies" as the report prefers to call them. Their main proposals are given below :—

(a) The Unemployment Insurance Scheme.

(1) No claimant shall receive more than 26 weeks' benefit in a period of 12 months following the application. The remainder shall be transferred to transitional benefit. To-day the only limit is the 30 contributions rule outlined above, and if a claimant begins by paying 30 contributions, he can draw 74 weeks' benefit before passing beyond the two-year limit.

(2) The weekly rates of contributions shall be increased. To-day for an adult male, the employer pays 8d., the employed 7d. and the Exchequer 7½d. a week. The majority report recommends a contribution of 9d. a week from each class. The contributions for an adult female are 7d., 6d., and 6½d. a week for each class. These are to be scaled up to 8d. a week all round. Appropriate increases are recommended for other classes of workers.

(3) Most benefits are to be reduced. Thus the report recommends that the weekly benefit of an adult male be reduced from 17s. to 15s. and that of an adult female from 15s. to 13s. Similar reductions are recommended for young workers. The additional benefit for adult dependents is to be reduced from 9s. to 8s. a week, but the additional benefit of 2s. a week for a dependent child is to be left unchanged.

(b) Transitional Benefit.

(1) The rates should be the same as those recommended for Insurance benefit.

(2) A claimant for transitional benefit must prove, at the beginning of each benefit quarter, that he has paid not less than 8 contributions during the preceding two years, or not less than 30 contributions during the period of six years immediately preceding the date of his application.

(3) A means test should be applied to certain classes such as single persons living with parents or relations, and married persons where the other partner is in employment.

(4) A worker should not be allowed transitional benefit who refuses to accept on fair terms and conditions an offer of work suited to his capacities.

(c) Anomalies.

(1) Workers who do not habitually work for more than two days in the week should be excluded from the scheme.

(2) A special formula is suggested for dealing with the anomaly of casual workers and short-time workers in receipt of high earnings. This runs :—

> the amount of benefit to be paid should be the usual amount due, subject to the proviso that in respect of any period comprising both days of employment and days of unemployment, the amount of benefit payable for the days of unemployment shall be not more than the full amount of benefit which would be payable for the whole period less half the earnings received for the period.

(3) A married woman should be entitled to benefit only if she has satisfied the statutory authorities—

> (*a*) that she has not abandoned insurable employment ; and
>
> (*b*) that having regard to her industrial experience and to the industrial circumstances of the district, she can reasonably expect to obtain insurable employment in the district in which she is residing.

(4) A seasonal worker should be entitled to benefit in the off-season only if he can prove to the satisfaction of the Court of Referees—

> (*a*) that he has in the past worked in the off-season for a reasonable time in some insurable occupation, and
>
> (*b*) that, having regard to the industrial circumstances of the district, he can reasonably expect to obtain insurable work in the off-season in the district in which he is residing.

The financial effects of the majority report's recommendations are set out below :—

I. The Insurance Scheme

(*a*) *Estimated Savings :—*

	£ *mill.*
Limit of period of Insurance benefit to 26 weeks	9·1
Increase in contributions	9·0
Reduction in ordinary rate of benefit	7·6
Reduction in allowance for dependents	1·1
Special provisions for intermittent workers ; casual and short-time workers ; married women ; and seasonal workers	5·0
Total savings	31·8

(*b*) *Income and Expenditure.*

	£ *mill.*
Expenditure	61·20
Income	53·55
Deficit	7·65

II. Transitional Benefit

	£ mill.
Estimated cost for a full year	35·0
Additional cost due to transfer from Insurance benefit (26 weeks' rule)	9·1
	44·1

Estimated Savings :—

	£ mill.	
Reduction in ordinary rate of benefit	3·0	
Reduction in allowance for dependents	0·7	
Amendment of qualifying contribution condition	3·3	
New conditions proposed for transitional benefit claimants ..	3·1	
Total savings		10·1
Reduced cost of transitional benefit		34·0

III. Unemployment and the National Finances

(a) Present Position :—

	£ mill.
Contribution to Insurance benefit	14·8
Cost of transitional benefit	35·0
Total cost to the Exchequer by direct contributions	49·8
Loan in course of year	39·5
Total	89·3

(b) Position if the recommendations are adopted :—

Contribution to Insurance benefit	18·0
Cost of transitional benefit	34·0
Total cost to the Exchequer	52·0
Loan in course of year	7·6
Total	59·6

The result of adopting the majority report's recommendations would be a reduction in the total annual burden upon the national finances from £89,300,000 to £59,650,000, or the saving of practically £30,000,000 a year. The budget proper would have to bear an increased charge of £2,150,000, but borrowing would be reduced by £31,800,000. This would mean an important step in the direction of honest and sound finance.

It is true that the economies suggested would inflict hardship upon some people who do not deserve any additional misfortune, but the stark essential fact is that there is no sound alternative. To-day the unemployment fund does not balance, the budget does not balance, and the nation's capital is being recklessly dissipated. This can only mean worse unemployment, an intensification of the depression, and ultimately disaster, in which the earliest and heaviest sufferers will be the workers of the country, including those now unemployed. For this reason alone it is false kindness to the unemployed themselves and mercurial dilettantism to reject this measure of national economy; whilst, on wider grounds, it is essential to implement the majority report as the first of a series of economies in expenditure. Everyone who has the economic well-being and the political tranquillity of the nation at heart must recognise that a decision to continue the existing process of shifts and expedients is a flight from the facts and a shirking of issues. For, however arduous the process, policy must be adapted to economic realities.

Note:—Owing to exigencies of space the "Finance and Industry" article is held over.

Notes of the Month

The Money Market.—But for the fact that the large influx of gold during the last two or three weeks has been due to acute distress in other countries rather than to any real strength of sterling, its acquisition would give cause for the utmost satisfaction, and, even so, the technical position of the Bank of England is becoming exceptionally strong, and will be still further aided in the near future by the arrival of five million pounds of gold from Australia, and the freeing of another four millions that have been earmarked for the Argentine. The latest returns at the time of writing disclose a net increase of gold for the week amounting to £5,699,000, which is the largest weekly influx since the return to the gold standard. At the same time, there has been a fall of two million pounds in active circulation, so that the reserve now stands at £69,721,000, which is equivalent to 58 per cent of the liabilities. The position is therefore extremely comfortable,

and despite the approach of the half-year, there is no sign of much appreciable stiffening of the loan market, the Clearing Banks offering accommodation into July at about $2\frac{1}{4}$ per cent, while short loans are being arranged at $1\frac{1}{2}$ to $1\frac{3}{4}$ per cent. Discount rates have, however, hardened, and have been fairly steady at $2\frac{1}{16}$ per cent or slightly better, but are now rather weak at that figure.

The Foreign Exchanges.—All things considered, the Foreign Exchange market has been far less jumpy than might have been expected, for no sooner has one country shown signs of meeting, if not actually overcoming, its difficulties, than another is plunged head-first into fresh ones. Following on the Spanish revolution the peseta slumped to the low record of 62·50, only to make a remarkable recovery to 48·50 on the belief that stabilisation efforts would be successful, and then to sink back again to 51·40 when fresh doubts of this achievement began to be apparent. Meanwhile political troubles in Germany caused a flight from the reichsmark, and in an unprecedentedly short space of time something like thirty million pounds worth of German gold had found its way to England, France and the United States before the Reichsbank decided to raise its discount rate from 5 to 7 per cent, whereupon what might well have developed into a stampede was checked and the mark recovered to $20 \cdot 47\frac{1}{2}$. The raising of the discount rate of the Reichsbank was immediately followed by a sympathetic rise of $1\frac{1}{2}$ per cent in those of Austria and Hungary. Coincident with the development of Germany's difficulties the troubles of Austria also came to a head. Pending the completion of negotiations for placing Austrian Treasury Bills abroad the Bank of England saved the situation with an immediate loan of 150 million schillings through the Bank for International Settlements. But at least one lesson has surely been learned as the result of the past months' crises, namely, that in the interests of world-finance and the interchange of world trade, the integrity of each country must be preserved, and the stability of its currency as far as possible protected. And this lesson appears to have been learned at long last, for President Hoover now proposes the postponement for one year of the payment both of principal and interest on all War Debts and Reparations so as to afford a breathing space to aid in the economic recovery of the world. The psychological effects

alone of this proposal may prove a turning point in the general situation.

The Stock Exchange.—Though the trouble in Germany was political and economic in origin, it was economic in effect in London and successfully cast a damper on the slight sign of optimism that was becoming noticeable on the Stock Exchange. Foreign Bonds had for the most part been depressed with, especially, a sharp fall in German securities. These, however, have risen from the worst on better advices being received and the improvement in the reichsmark which has now reached a point at which the outflow of gold should cease. Australian securities, after their recent depression, end the month under review with a sharp recovery on the news that the Australian Government have decided to put their house in order by reducing expenditure some 20 per cent and by issuing a voluntary internal conversion loan. Apart from this, British Government issues have remained consistently firm and Home Rails, after a depressing start, have shown some recovery. The month has been made interesting by the flotation of two or three substantial issues, and by rumours of more to come after a long period of reluctance to appeal to the public. The five million New Zealand loan was largely left in the hands of the underwriters, but it was obvious that it would be, since it was a short-term loan, which was unlikely to appeal to the ordinary investing public; nevertheless, the discount to which it fell in early dealings has now been completely wiped off. The Woolworth issue, on the other hand, which was accompanied with extensive publicity, was immediately applied for, while of the Middlesex issue some 48 per cent was left in the hands of the underwriters, but is now at a premium.

Overseas Trade.—If the Trade returns for May do not show any substantial advance over those for April, at least there is some consolation to be drawn from the fact that here and there a slight improvement is recorded. Imports of raw materials show a small reduction and those of manufactured goods a rather larger increase. But against this there is an improvement in export figures of nearly a million and a half, accounted for by a rise of £1·9 in the vehicles (including locomotives, ships and aircraft) section. The returns for the five months—January–May—of course, continue extremely

disappointing, and there is a lot of leeway to make up. Compared with the corresponding period for 1930, imports

Description.	Jan.–May, 1930.	Jan.–May, 1931.	Increase (+) or Decrease (−)
Total Imports	458·4	349·3	−109·1
Retained Imports	417·0	319·6	− 97·4
Raw Material, Imports	122·0	76·3	− 45·7
Total Exports, British Goods	262·0	169·7	− 92·3
Coal Exports	20·7	14·1	− 6·6
British Manufactured Goods, Exports ..	204·9	128·7	− 76·2
Re-Exports	41·4	29·7	− 11·7
Total Exports..	303·4	199·4	−104·0
Visible Trade Balance	−155·0	−149·9	+ 5·1

show a decline of roughly 23·8 per cent and imports of raw materials 37·5 per cent. Exports of British manufactured goods are down 37·2 per cent, as against a reduction of about 34 per cent in total exports.

Home Reports

The Industrial Situation

After another month of the most complete apathy, during which it seemed that nothing could provide markets with even a glimmer of hope, while a succession of Continental troubles added their quota to the general depression, there came President Hoover's plan for a year's moratorium for war debts and reparations. A general rise of prices followed and a refreshing spirit of real optimism became apparent. On the Stock Exchange a sharp rise in prices all round coincided with an advance in the commodity markets and while the Exchange was unable to hold the full measure of the initial improvements, there remained an undertone of confidence which was distinctly satisfactory.

Agriculture

England and Wales.—The condition of corn crops was satisfactory, owing to the considerable growth during the latter part of May. Sowing of roots was rather late. Well above average yields of seeds hay were anticipated, while meadow hay, although late, was expected to be a satisfactory crop.

Cattle were in improved condition and milk yields showed a seasonal increase.

Scotland.—During the first half of June the wet weather caused flooding in many parts of Scotland, and the growth of vegetation has been seriously retarded. In the markets grain has been quiet with prices still tending downward. The trade in old potatoes is practically finished for the season though prices were maintained to the end. Supplies at the leading stock markets have been fairly adequate but the increased English demand caused a further slight advance in prices.

Coal

There is a further decline in the home market and conditions in the export market are far from satisfactory. The glut of coal on the one hand, and the delay in settling the hours question on the other, are exerting an adverse effect on the market. Prices are lower.

Hull.—Quiet conditions continue to prevail and prices show a downward tendency.

Newcastle-on-Tyne.—Screened coals are in fairly good demand at the minimum prices, while the tone is easy for smalls, stocks of which are increasing. Best bunkers are steady, while other bunkers are unimproved, there being plentiful offers and little new business.

Sheffield.—Industrial fuels are still in slow request. The drop in prices in house coals has stimulated the demand. Export business remains fairly steady.

Newport.—Total shipments for the last month have been rather lower. Some of the Monmouthshire collieries suffered severely from the recent floods and will be idle for some little time, though Monmouthshire coals have been in demand.

Swansea.—Recent figures for the export of coal and patent fuel continue to show substantial reductions as against those of a year ago and competition for orders remains very keen, particularly in the steam coal trade. The possibility of a further shortening of the working day in collieries has, so far, had no effect upon the demand for coal.

Glasgow.—The decline in the home demand in Scotland has continued but there is a slight improvement in the sale of washed nuts.

East of Scotland.—The export of all classes of coal is poor and despite idle time stocks continue to accumulate.

Iron and Steel

Conditions remain unchanged and the depression shows no sign of lifting. Though the production figures quoted on another page show fractional increases over last month, this was mainly due to the fact that there were more working days in May than in April.

Birmingham.—Continental competition in steel is not so keen as it was, and prices continue to weaken. There is a tendency on the part of British producers to accept lower prices in order to keep works occupied. There are slightly more enquiries for galvanised sheets and home trade is average. The absence of foreign orders is seriously affecting the productive capacity of the mills.

Sheffield.—The production of open hearth steel remains at a low level. Only about 25 per cent of the furnaces are in commission and difficulty is found in securing an outlet for their limited production. There is no improvement in the demand for railway materials; orders from both home and overseas are below average. Stainless and corrosion-resisting steels and requirements for the automobile industry are in fair demand and continue to make progress.

Newport.—Tinplates have shown some improvement but galvanised sheets remain at the same low level of production.

Swansea.—Foreign steel continues on offer at unprecedentedly low prices and it is becoming increasingly difficult to keep works employed. Following the termination of the centralised selling arrangements, tinplate prices have fallen.

Glasgow.—There is a lack of orders for the products of the West of Scotland though the enquiry is very good. Production is short of capacity, and in the pig-iron trade business is so scarce owing to foreign competition that only six furnaces are now in blast.

Engineering

Birmingham.—Heavy engineering is still working well below capacity, but the electrical section has rather more

orders. Motor car manufacturers are now rather slack, and the wet weather has affected cycle makers.

Coventry.—The motor car trade has slackened. Cycle manufacturers, however, report some slight improvement in the continental trade. Electrical engineering trade continues very fair.

Luton.—Car and light lorry manufacturers are reported to be very busy. The general engineering trade is rather dull, due partly to a decline in demand for the motor industry, and prospects are not encouraging.

Manchester.—The engineering industry is not well employed and there appears no immediate hope of improvement.

Sheffield.—Some sections of the tool trade show slight improvement, due chiefly to seasonal buying. The saw trade has improved due to a substantial order from Russia. The file trade is quiet, whilst business in the tool trade shows some improvement. The depression in foreign markets is affecting export trade.

Wolverhampton.—Constructional engineers are fairly well employed. The output of motor cycles shows a slight expansion as against a curtailment in cars. The demand for heavy passenger vehicles shows a falling off.

Belfast.—In the shipbuilding industry, though production costs are low, no inclination is shown to place orders for new tonnage. However, there has been a fair amount of repair work recently.

Glasgow.—Marine engineering is in a very depressed state owing to the inactivity of the Clyde ship yards.

Metal and Hardware Trades

Birmingham.—There is an insufficient volume of trade passing to keep the mills reasonably occupied.

Sheffield.—The progress of the seasonal trade continues to be most disappointing and the turnover of the cutlery and plate business as a whole falls considerably short of that of a year ago. The hotel and catering trades remain the best customers but their requirements are much below normal.

Cotton

Liverpool.—There is no change to report in the demand for cotton on the spot, and there are no signs of returning activity. Deliveries of all growths to spinners in Great Britain during the current season average only 38,000 bales per week as against 53,000 and 57,000 respectively in the seasons 1929–30 and 1928–29. Partly in sympathy with the extreme weakness of the American Stock Market quotations have again reached new low levels for the post-war period, American Middling touching momentarily 4½d. per lb. Trade advices in all consuming countries, with the possible exception of Japan, continue to experience the full weight of the present depression, whilst the tendency of stocks is still to increase. Though the acreage sown in the United States this year shows a reduction of some 10 per cent a prospective crop of some 13 million bales upon this basis is indicated, and this with the carry-over would furnish a total available supply for next season of approximately 22 million bales of American cotton. As the consumption of this growth for the present cotton season is estimated at only 11 million bales, the situation at the moment, failing a rapid increase in the trade demand, appears almost insoluble. Of the outside growths there has been a good enquiry for Peruvian but Egyptian has been in only poor demand.

Manchester.—The condition of the cotton trade continues to be very unsettled and the wide fluctuations in raw cotton have added to the lack of confidence. Spinners remain quiet and output is not being sold. Orders remain small and, whilst prices favour buyers, there is no likelihood of any substantial contracts being booked owing to the cautious policy being adopted on all sides. There is little change in regard to business with India and China but there are indications that, with an improvement in the price of silver, there would be a possibility of arranging business on acceptable terms.

Wool

Bradford.—So little business is passing that prices cannot be really tested, and what there is, is entirely in buyers' favour but only against definite contracts.

Huddersfield.—Trade conditions in the worsted section are still most unsettled. The response from the showing season,

which is now concluding, shows very poor results, and orders in bulk are almost entirely lacking.

Leicester.—Unseasonable weather has made business difficult, and spinners are experiencing a quiet period.

Hawick.—Prices for wools are keeping fairly steady but few tweed manufacturers are prepared to add to their commitments in view of the poor response as regards next winter season. Trade is also quieter than usual in the hosiery line even for the ordinary knitted woollen goods, while dyers and spinners are only moderately employed.

Other Textiles

Belfast.—There is some improvement in the linen market according to the export figures for last month. More interest is being taken in prices though mainly concentrated on cheap lines. Although flax prices keep firm, the home yarn market is deficient in tone.

Dundee.—There is still no semblance of interest in the jute market, and production remains in excess of demand.

Dunfermline.—Business in the Fifeshire linen trade continues to be very restricted, and however keenly prices are cut buyers continue to work from hand to mouth.

Clothing

Bristol.—Trade is quiet and prospects cannot be considered good.

Leicester.—Trade conditions generally are slightly better, and the increased prices in wool, which seem firmly established, have given more confidence. Underwear departments are still quiet, and suffering from the effects of foreign competition.

Luton.—The ladies' hat trade has been very disappointing since Whitsun and only a certain number of low-priced orders have been received. Autumn sampling has already started.

Leather and Boots

Bristol.—During the last two months the leather trade has been disappointing, although prices have, if anything, been considerably easier. The boot and shoe trade has been quiet

and the usual spring and early summer orders have been smaller in quantity owing to the weather. In the heavy boot factories much short time has been worked.

Leicester.—There has been a slight improvement in the home trade during the past month, owing to seasonal requirements, in spite of the severe competition from European manufacturers. There is little or no change in styles.

Northampton.—In the leather trade prices tend to be uneven, and export trade is dull. The boot and shoe trade can be described as patchy. Conditions in the county towns are said to be moderate.

Shipping

Hull.—Business is very slow with very few orders quoted. Rates remain low.

Liverpool.—Demand for tonnage in most sections has been very slow. River Plate homewards was relatively active at the improved levels reached in May.

Newcastle-on-Tyne.—Freight rates in the long-distance trades have been easier on account of the decrease in the demand from the River Plate, while other rates remain the same.

Newport.—Freight rates show no change, but the outward freight market has been more active. There are twenty vessels laid up as compared with nineteen a month ago.

East of Scotland.—There is no change in the position at the various ports on the Forth. Only about a dozen vessels are on leading turn for coal shipments and other branches of shipping are equally dull.

Glasgow.—The depression in the shipping branch of the coal trade in Scotland is reflected in the very restricted demand for tonnage to convey the commodity to foreign destinations and rates are at very low levels in all sections of the market.

Foodstuffs

Liverpool.—Quotations in the wheat market, after a temporary stiffening upon the conditions of drought in Canada, relapsed to the low levels experienced at the beginning of April. Notwithstanding the severe setback to the crop in important sections of the Canadian West, existing world reserves, to which has now to be added an exportable surplus of some 25 million quarters of the U.S. winter crop, are such that even the prospect of the partial failure of the Canadian crop is borne by the

world's markets with equanimity. Crop prospects in other countries of the Northern Hemispheres are, speaking generally, only moderate at present, though sowings in Russia are reported to show a material increase over those of last year. Stocks in most European countries are now very low, and, apart from import restrictions, a good international trade during the remainder of the year should be experienced. Maize, on a flood of offerings from the Argentine due partly to the weakness in the exchange, fell sharply in price and good business has been done. During the past month Continental bacon was in abnormally heavy supply, selling at record low levels; American bacon and hams were quiet at easier prices. The lard market showed a steady trade with values slightly higher. In butter a healthy consumptive demand ruled throughout with prices at 10s. per cwt. dearer; the stocks disclosed at the end of May were only half of those in 1930. Cheese was in improved demand. In the canned goods section meats were a slow trade, and values inclined to ease; canned and dried fruits proved in good demand at unchanged rates.

Fishing

Lowestoft.—As compared with May, 1930, the quantity of fish landed in Great Britain shows a small decrease of about 400 tons, but the value fell away by £187,000. The decrease in quantity was entirely due to a shortage in the Scottish herring catch. Fish were cheap everywhere during the month, largely owing to heavy imports.

West of England.—During the past month, despite the bad weather, the Cornish long line fishing has been above the average. Catches of mackerel in Mounts Bay have been light, but prices have been good. Foreign trawlers landing have not been so numerous. The East Coast Drifters have now left for their home ports. At Brixham landings for May show some improvement over April, but compared with May last year a decrease is noted. Prices were lower. An attempt is being made to revive the industry by the conversion of trawlers from sail to motor, and the results are promising, but how far this will be followed up will depend on local support, and this does not appear to be forthcoming at the moment.

Scotland.—The herring fishing has now begun and operations, especially round the Moray Firth, are satisfactory,

although the quality is somewhat mixed. Those boats engaged on line fishing are not doing too well.

Other Industries

Carpet-making.—There is considerable unemployment in the carpet trade, but spool Axminster squares, piece goods and rugs are in full demand. Compared with last year imports of carpets exceed exports by nearly four million yards.

China Clay.—The deliveries during April are noticeable as being the heaviest since October, 1930. Some interest is being taken in an invention which it is claimed may reduce the cost of production by one-third.

Paper-making and Printing.—The local paper-making trade continues very depressed, orders from both home and abroad being very scarce. The printing trade is also experiencing its seasonal quiet.

Timber.—The trade during the past month has been quiet with a steady demand for building timbers and some enquiries for railway materials. The mills are fairly busy with orders for joinery and planed goods. Prices generally are easier owing to the reduction in Finnish quotations, the leading shippers having now come under the Russian price list. The first cargoes of Russian timber are now arriving and a fair quantity is going into consumption.

Dominion Reports

Australia

From the National Bank of Australasia Limited.

There is little outward change in trading conditions generally. Seasonal outlook is further improved in some sections, but wheat sowing is delayed through excess of rain. Wool prices have not been maintained at the recent sales, but an excellent clip is expected in the coming season. Stock Exchange is weaker and trade generally shows no improvement.

Canada

From the Imperial Bank of Canada.

The outstanding development in business and financial circles has been the first budget of the Bennett Government introduced by the Premier, acting as Minister of Finance. As the deficit is more than $75,000,000, the programme

outlined involves a number of proposals for direct taxation, which could hardly be expected to be received with approval by the public at a time when sources of revenue are still being curtailed. Increases in the tariff are not so great as had been generally expected. Certain branches of the steel, textile, wood-working and other manufacturing industries received more protection, and there are further safeguards in regard to "dumping" of foreign products. There is also the special excise tax of 1 per cent on all goods imported into Canada and at the same time there are increased duties on a large number of agricultural and food products. The agricultural community also benefits to the extent of a bonus of 5 cents per bushel on the transportation of Western wheat. The other benefits which have been conferred include subsidies for Canadian coal, increased contributions to old age pensions, and a further $500 income tax exemption. The change in the income tax schedules, however, extends to the larger incomes where the super-taxes are considerably reduced, and this will undoubtedly lead to politically-encouraged criticism. New direct taxes include an increase from 1 per cent to 4 per cent on the sales tax; an increase in the postage rate of letters to 3 cents; higher postage charges on newspapers and periodicals and a 2 cent charge on all cheques, rather than merely on those of greater amounts than $10. Altogether, the budget may be regarded, primarily, as a businesslike attempt to balance the national books.

India

Bombay reports that the raw cotton prices fell below the December record low figure following the heavy decline in New York. The statistical position of Indian cotton is, however, so strong that the fall was not proportionate to that in America. The offtake of English piece goods remains small while Japanese goods move freely. Sales of local goods have increased, but buyers generally are adopting a waiting policy in anticipation of cheaper buying following on the fall in cotton prices. Calcutta reports the jute market to be quiet but steady. Conditions of the new crop are satisfactory despite some damage due to excessive rain. The rice market has improved in Rangoon after the low record last month though dealers' stocks have further increased and in view of the volume coming out this month buying remained quiet. The demand for hard-

ware remained dull, due to the spread of unrest, and the collection of accounts in Lower Burma is now practically impossible.

Irish Free State

The report of the Ministry of Agriculture states that all the cereal crops have made good progress. Winter-sown wheat is both thick and promising. Potato blight, though not of serious dimensions, has occurred in fifteen counties. The need for a spell of fine warm weather cannot be exaggerated; without it the position will be serious indeed. As a result of the calamitous outbreak of foot-and-mouth disease the British Ministry of Agriculture has prohibited the movements of all Irish animals from British landing places and the landing of all animals from Ireland. Such restrictions will inevitably cause much financial loss in the present depressed state of the farming industry.

Foreign Reports

France

From Lloyds & National Provincial Foreign Bank Limited

Figures covering the first five months of 1931 show that the adverse visible trade balance at the end of May was approximately 5·6 millions of francs as against 3·4 millions on the same date last year. The general tendency of the stock markets has continued downward though there has been unusual resistance at times. The fall of the peseta and the financial troubles in Vienna have caused a certain amount of liquidation, but the greatest cause of weakness was the persistent selling of Banque de France shares in the expectation of a considerable reduction in profits. Both French and Foreign shares have continued to decline, although Mr. Hoover's moratorium proposal had an apparently steadying effect generally.

Bordeaux.—The weather in the vineyard has improved and a slight increase in business is reported. The demand for good quality old wines remains firm. The coming crop is expected to be small. The resin and turpentine markets have strengthened.

Le Havre.—Coffee prices have continued firm. The prices of cotton still decline; the weather reports are mostly favourable to the growing crop although there are rumours of boll-weevil infestation in Texas and South Carolina.

Lille.—Business in all sections of the textile market is at a complete standstill. No solution of the textile workers' strike appears to be forthcoming. American cotton prices have deteriorated and buyers are marking time. The flax, hemp and jute sections have been affected and business is stagnant. The demand for oil cakes has improved.

Marseilles.—The oilseeds, copra and olive oil markets have further declined though stocks held are smaller than usual. The outlook is uncertain.

Roubaix.—The textile strike still paralyses the economic life of the district. Despite the Government's exertions for a settlement the workpeople have refused the reduced cut of 4 per cent. though it was proposed that this should not be applied immediately. Wool prices are weaker.

Belgium

From Lloyds & National Provincial Foreign Bank Limited

Brussels.—Prices have fallen still further in the steel trades and the situation in the coal trade is equally poor. Production in the cotton trade is estimated at only 30 per cent of the total capacity. The slight improvement in the stock market has not been maintained.

Antwerp.—Commodity markets continue quiet. Small dealings in wool have taken place and not much demand for coffee is evidenced.

Germany

From the Bank of British West Africa Limited

Falling prices, bad trade and seasonal influences resulted in a contraction of imports for May by Rm. 94 millions while exports decreased by Rm. 33 millions leaving a favourable balance of Rm. 200 millions. The dissatisfaction of the political parties with the heavy new taxation involved in the Government's Emergency Decree led to a scare which resulted in a flight from the reichsmark. In consequence the Reichsbank lost a considerable amount of gold and foreign bills during the first half of June, while German shares sold at record low prices. The increase of the Reichsbank rate by 2 per cent had an immediate steadying effect and a further rise is not anticipated. As we go to press President Hoover's message has increased the hope of a calmer situation.

Holland

The decline in trade during the first four months of this year is considerable though not serious. Unemployment has seasonally decreased, and the financial position of most enterprises is sound although profits earned are not large. The losses on sugar have not been heavy and the financial strength of the industry is such that these losses can easily be borne for a considerable time. Stock exchange prices have fallen in sympathy with the reduction and non-payment of dividends.

Norway

The effects of the protracted labour dispute are revealed in the latest trade statistics, the value of April exports being roughly half those of the same month last year. Imports have decreased from Kr. 85·7 to Kr. 79 millions. The end of May saw a fairly lively turnover on the stock exchange. After a slight rise the position of the whaling market has become further depressed. Sales are extremely scarce in the timber market, prices being almost nominal. The industry has agreed to buy no Russian timber this year as the Norwegian forests will more than cover the present reduced requirements.

Sweden

No improvement is reported with export markets. The sale of wooden goods to date corresponds to the quantity usually covered by contracts during the first weeks of the year, and buyers are increasingly reluctant. The general price level has touched a fresh low record, the stock exchange prices showing a strong downward tendency.

Denmark

During the first five months of the year the export of bacon and eggs has increased by 35 per cent. Unfortunately this expansion, together with similar exports from Poland, the Baltic States and Holland, has overfilled the English market and reduced the bacon quotation from Kr. 94 to Kr. 70 per 100 kilos, the lowest since 1908. Breeding is thus going on at an absolute loss to the farmers and the deepest pessimism prevails in agricultural circles. The effect of this crisis, combined with the political unrest and the economic depression, has reduced the stock market to a state of constant weakness.

Switzerland

From Lloyds & National Provincial Foreign Bank Limited

The decrease in the foreign trade figures for the last month is considered normal although the general world depression is beginning to lower prices. The decrease in imports mainly concerns raw cotton and raw metals, while the export decrease shows chiefly in the machine, shoe and silk industries. The situation in the watch industry remains at a critical standstill. The bond market is firm following an abundant inflow of capital into the country through recent developments in the political and economic situation of Central Europe.

Spain

The Finance Minister reports negotiations for a French Credit operated through a consortium of French and Spanish banks, and it is possible that the trade negotiations now pending will be terminated by a financial-commercial agreement between the two countries. Subject to this agreement, measures for the pegging of the peseta and its eventual re-valuation are under consideration. The Provisional Government reports economies totalling 190,000,000 pesetas during the remainder of the financial year. Of this amount 100,000,000 pesetas are due to the suspension of public works, and it is hoped that the seasonal activity in agriculture may counteract the increase in unemployment arising from these economies. The improvement in the peseta was not followed by a return of confidence on the Bourse, where restrictive measures became necessary in the case of certain securities. A slight improvement in the quotations for olive oil and wines is noted in the produce markets.

Morocco

From the Bank of British West Africa Limited

The crop in most districts is excellent and the harvest is almost complete. Wheat shipments to France have begun, prices ranging from Fcs. 140 for hard wheat and Fcs. 152 for soft. The maize crop is promising but not yet ripe. In consequence prospects are generally very hopeful and British exporters should make every effort to secure the optimistic market following this exceptional harvest.

United States

There is little or no movement in the trade position. Recently the stock market has shown a much better tone. The average car-loading figures during the five weeks ending 30th May show an excess of 20,600 over the weekly average up to that date from the beginning of the year. Insolvencies in May numbered 2,248 with liabilities of $53,300,000; in numbers these are about 7 per cent less than last month, the liabilities being some 5 per cent higher. Following the gathering of the crop, the price of raw Cuban sugar has improved slightly. The monthly production figures of automobiles are considerably lower than those of the same month last year and of the previous month this year. Daily production of pig-iron decreased 3,000 tons over last month's figure, the number of furnaces in blast being 105 against 113 at the beginning of May. The steel mills are estimated to have reached only 45 per cent of their productive capacity during May. Despite all the unfavourable news received from time to time, the course of cotton prices has been steadily downward. Copper is still being pressed on the market, and though zinc remains steady, tin and lead have exhibited declines. Here, as in other countries concerned, President Hoover's proposed moratorium for war debts and reparations has been well received and has had a marked effect on prices and outlook.

South America

Montevideo.—In the cattle market the price of prime steers has improved; for other categories the tone is weak.

Bogota.—The coffee crop is expected to be of better quality if less in quantity than last year. Prices show a slight seasonal decline.

Japan

Exports for the 1930 silk year contracted by 65,115 bales —6 per cent less than last year—ruling prices being lower than usual. The Government has decided to provide a loan of Yen 45,000,000 for the spring cocoon crop. Raw cotton imports were heavy. The first shipment of the green tea crop has been made to America, and a record production of gold is announced. The Government is trying to cover a budget deficit by a general reduction of official salaries. A strike of railway employees over the wages cut has been narrowly averted.

Banking

1. BANK OF ENGLAND

Date.	Issue Department.		Banking Department.				
	Gold.	Notes in circulation.	Reserve and Proportion.		Bankers' Deposits.	Govt. Securities.	Discounts & Advances
1930.	£ mn.	£ mn.	£ mn.	Per cent.	£ mn.	£ mn.	£ mn.
June 25 ...	*156·9*	*358·5*	*59·2*	*48·7*	*63·8*	*48·9*	*15·9*
1931.							
May 27 ...	151·0	354·8	57·2	53·9	54·8	31·2	6·8
June 3 ...	151·9	356·4	56·6	50·1	72·2	38·5	7·1
June 10 ...	155·3	354·2	62·0	55·1	69·6	33·1	6·6
June 17 ...	160·9	352·3	69·7	58·0	71·4	30·8	9·4
June 24 ...	162·9	352·8	71·2	59·1	61·6	30·4	9·6

2. TEN CLEARING BANKS

Date.	Deposits.	Acceptances.	Cash.*	Call Money.	Bills.	Investments.	Advances.
1930.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.
May	*1,779·8*	*144·1*	*239·6*	*139·3*	*248·0*	*246·6*	*972·4*
December	1,875·8	117·5	261·5	144·0	321·5	284·7	928·7
1931.							
January	1,873·3	115·0	243·7	144·3	329·7	296·9	923·9
February	1,819·6	121·4	233·7	115·9	301·2	309·4	924·9
March	1,763·9	121·5	227·5	114·1	240·4	311·1	936·1
April	1,735·7	115·3	224·3	117·0	211·0	308·5	940·3
May	1,737·8	114·2	223·0	131·5	224·0	290·0	934·6

* Includes balances with other banks and cheques in course of collection.

3. LLOYDS BANK, RATIO OF CURRENT ACCOUNT CREDIT BALANCES TO TOTAL DEPOSITS

Year.	Ratio.	Month.	Ratio.		
			1929.	1930.	1931.
			%	%	%
1902	58·2	January	46·8	45·1	45·9
1914	49·9	February	45·9	44·2	45·1
1919	60·7	March	45·2	44·5	45·3
1920	56·7	April	44·9	45·1	45·0
1921	50·7	May	44·1	44·0	44·8
1924	51·0	June	44·5	44·4	
1925	49·6	July	45·4	44·7	
1926	48·6	August	45·3	44·4	
1927	47·4	September	45·3	44·7	
1928	46·4	October	45·6	44·8	
1929	45·2	November	44·7	44·8	
1930	44·7	December	45·3	46·0	

Money, Exchanges and Public Finance

1. LONDON AND NEW YORK MONEY RATES

Date.	London. Bank Rate.	London. 3 Months' discount Rate.	London. Day-to-day Loans.	New York. Re-discount Rate.	New York. 90 Days' eligible Bank acceptances.	New York. Call Money.
1930.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.
June 25 ...	*3*	*2$\frac{1}{4}$—$\frac{5}{16}$*	*1$\frac{1}{2}$—2*	*2$\frac{1}{2}$*	*2*	*2$\frac{1}{2}$*
1931.						
May 27 ...	2$\frac{1}{2}$	2$\frac{1}{32}$—2$\frac{1}{16}$	1$\frac{3}{4}$—2	1$\frac{1}{2}$	1	1$\frac{1}{2}$
June 3 ...	2$\frac{1}{2}$	2$\frac{1}{16}$—$\frac{3}{32}$	1$\frac{1}{2}$—2	1$\frac{1}{2}$	1	1$\frac{1}{2}$
June 10 ...	2$\frac{1}{2}$	2$\frac{3}{32}$—$\frac{1}{8}$	1$\frac{1}{2}$—2	1$\frac{1}{2}$	1	1$\frac{1}{2}$
June 17 ...	2$\frac{1}{2}$	2$\frac{1}{16}$—$\frac{1}{8}$	1—2	1$\frac{1}{2}$	1	1$\frac{1}{2}$
June 24 ...	2$\frac{1}{2}$	2$\frac{1}{32}$—$\frac{1}{16}$	1$\frac{1}{2}$—2	1$\frac{1}{2}$	1	1$\frac{1}{2}$

2. FOREIGN EXCHANGES

London on	Par.	1930. June 25.	1931. May 27.	June 3.	June 10.	June 17.	June 24.
New York ...	$4·866	4·86	4·86$\frac{5}{8}$	4·86$\frac{3}{8}$	4·86$\frac{1}{2}$	4·86$\frac{7}{16}$	4·86$\frac{13}{32}$
Montreal ...	$4·866	4·86$\frac{3}{8}$	4·86$\frac{1}{2}$	4·87	4·87$\frac{3}{16}$	4·87$\frac{3}{4}$	4·88$\frac{3}{8}$
Paris	Fr. 124·21	123·77	124·26$\frac{3}{8}$	124·23$\frac{1}{2}$	124·25$\frac{3}{8}$	124·23$\frac{1}{2}$	124·27
Berlin ...	Mk. 20·43	20·38$\frac{1}{2}$	20·48$\frac{3}{8}$	20·49$\frac{1}{4}$	20·50	20·47$\frac{7}{8}$	20·49$\frac{1}{2}$
Amsterdam ...	Fl. 12·11	12·09$\frac{3}{16}$	12·09$\frac{1}{2}$	12·09	12·09	12·08$\frac{3}{8}$	12·08$\frac{7}{8}$
Brussels ...	Bel. 35	34·82$\frac{1}{4}$	34·91$\frac{1}{8}$	34·94$\frac{1}{4}$	34·92$\frac{3}{4}$	34·94$\frac{3}{4}$	34·93
Milan ...	Li. 92·46	92·76	92·93	92·98	92·92$\frac{1}{2}$	92·91$\frac{1}{2}$	92·95
Berne ...	Fr. 25·22$\frac{1}{2}$	25·07$\frac{3}{8}$	25·15$\frac{1}{2}$	25·08$\frac{1}{2}$	25·07	25·04$\frac{5}{8}$	25·08$\frac{7}{8}$
Stockholm ...	Kr. 18·16	18·09	18·14$\frac{1}{4}$	18·15$\frac{1}{4}$	18·15$\frac{3}{8}$	18·14$\frac{3}{4}$	18·14$\frac{1}{4}$
Madrid ...	Ptas. 25·22$\frac{1}{2}$	42·25$\frac{1}{2}$	50·50	51·15	48·85	48·45	51·75
Vienna ...	Sch. 34·58$\frac{1}{2}$	34·43	34·62	34·62$\frac{1}{2}$	34·61	34·60$\frac{1}{2}$	34·63
Prague ...	Kr. 164·25	163$\frac{3}{4}$	164$\frac{1}{8}$	164$\frac{1}{8}$	164$\frac{1}{8}$	164$\frac{1}{8}$	164$\frac{1}{4}$
Buenos Aires	47·62d.	40$\frac{27}{32}$	33$\frac{13}{16}$	33$\frac{3}{4}$	34$\frac{1}{16}$	34$\frac{3}{16}$	35$\frac{1}{2}$
Rio de Janeiro	5·89d.	5$\frac{13}{32}$	3$\frac{11}{32}$	3$\frac{21}{32}$	3$\frac{23}{32}$	3$\frac{13}{16}$	3$\frac{23}{32}$
Valparaiso ...	Pes. 40	39·94	40·04	39·92	39·87	39·96	39·97
Bombay ...	18d.	17$\frac{13}{16}$	17$\frac{27}{32}$	17$\frac{25}{32}$	17$\frac{3}{4}$	17$\frac{3}{4}$	17$\frac{3}{4}$
Hong Kong ...	—d.	15$\frac{7}{16}$	11$\frac{1}{8}$	11$\frac{7}{16}$	11$\frac{1}{2}$	11$\frac{9}{16}$	12$\frac{1}{4}$
Shanghai ...	—d.	17$\frac{7}{8}$	14$\frac{1}{4}$	14$\frac{3}{32}$	14$\frac{1}{16}$	14$\frac{5}{16}$	15$\frac{3}{8}$

3. PUBLIC REVENUE AND EXPENDITURE

Revenue.	To June 20, 1931.	To June 21, 1930.	Expenditure.	To June 20, 1931.	To June 21, 1930.
Income Tax ...	18·8	20·6	Nat. Debt Service	106·9	107·2
Sur-Tax... ...	10·3	9·5	Northern Ireland Payments...	1·0	0·9
Estate Duties ...	17·0	21·6	Other Cons. Fund Services...	0·4	0·5
Stamps	1·9	3·4	Supply Services	84·7	86·0
Customs ...	25·5	26·4	Ordinary Expenditure ...	192·9	194·5
Excise	26·4	28·4	Sinking Fund	8·1	8·7
Tax Revenue ...	100·9	110·8	Self-Balancing Expenditure...	15·0	16·3
Non-Tax Revenue	19·3	17·7			
Ordinary Revenue	120·2	128·5			
Self-Balancing Revenue	15·0	16·3			

Trade

1. PRODUCTION

Date.	Coal.*	Pig-Iron.	Steel.
1930.	Tons mn.	Tons thou.	Tons thou.
May	*4·9*	*615*	*693*
December	4·6	350	337
1931.			
January	4·4	337	402
February	4·8	318	486
March	4·5	357	500
April	4·3	323	397
May	4·2	347	435

* Average weekly figures for month.

2. IMPORTS

Date.	Food.	Raw Materials.	Manufactured Goods.	Total.
1930.	£ mn.	£ mn.	£ mn.	£ mn.
May	*39·6*	*23·1*	*27·7*	*91·0*
December	44·4	20·6	23·8	89·6
1931.				
January	36·2	17·9	20·4	75·6
February	30·0	13·3	19·5	63·6
March	32·6	15·1	22·3	70·7
April	32·5	15·5	20·9	70·0
May	33·3	14·6	21·0	69·6

3. EXPORTS

Date.	Food.	Raw Materials.	Manufactured Goods.	Total.
1930.	£ mn.	£ mn.	£ mn.	£ mn.
May	*3·8*	*5·8*	*39·8*	*51·0*
December	3·5	4·7	27·6	38·5
1931.				
January	3·7	3·7	28·7	37·6
February	2·8	3·8	24·0	31·8
March	3·0	4·1	25·6	34·0
April	2·9	4·1	24·3	32·5
May	2·8	4·0	26·0	33·9

4. UNEMPLOYMENT

Date.	1926.	1927.	1928.	1929.	1930.	1931.
End of—	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.
January ...	11·0	12·0	10·7	12·2	12·6	21·5
February ...	10·4	10·9	10·4	12·2	13·1	21·7
March ...	9·8	9·8	9·5	10·1	14·0	21·5
April... ...	9·1	9·4	9·5	9·9	14·6	20·9
May	14·3	8·7	9·8	9·9	15·3	20·8
June	14·6	8·8	10·7	9·8	15·4	
July	14·4	9·2	11·6	9·9	16·7	
August ...	14·0	9·3	11·6	10·1	17·1	
September ...	13·7	9·3	11·4	10·0	17·6	
October ...	13·6	9·5	11·8	10·4	18·7	
November ...	13·5	9·9	12·1	11·0	19·1	
December ...	11·9	9·8	11·2	11·1	20·2	

Percentage of Insured Workers.

Prices

1. WHOLESALE PRICES (average for month)

Date.	Index Number (1928–9 average = 100).				
	U.K.	U.S.A.	France.	Italy.	Germany.
1930.					
May	*86·8*	*91·3*	*88·4*	*86·1*	*90·6*
December	75·6	82·0	80·2	75·6	84·8
1931.					
January	73·9	80·0	79·2	74·1	82·8
February	72·5	78·4	78·9	73·3	82·2
March	72·4	78·2	78·5	73·0	82·1
April	72·2	76·6	78·8	72·4	81·9
May	70·0	73·5	77·4	71·1	81·6
May, 4th week	69·0	72·3	76·7	70·4	81·4
June, 1st week	68·4	72·1	76·7	69·9	80·5
June, 2nd week	68·4	71·8	76·2	69·6	81·2
June, 3rd week	68·3	72·1	75·7	69·2	80·9
June, 4th week	68·5	72·4	—	69·2	81·3

Sources: U.K., "Financial Times"; U.S.A., Irving Fisher; France, Statistique Générale; Italy, Italian Chamber of Commerce; Germany, Statistische, Reichsamt.

2. RETAIL PRICES (end of month)

Date.	Food.	Rent (including rates).	Clothing.	Fuel and Light.	Other items included.	All items included.
1930.						
May	*38*	*53*	*110—115*	*70*	*80*	*54*
December ...	38	54	105	75	75	53
1931.						
January ...	36	54	100—105	75	75	52
February ...	34	54	100	75	75	50
March	29	54	100	75	75	47
April	29	54	95—100	75	75	47
May	27	54	95	70	75	45

The figures represent the percentage increase above July, 1914, which is equal to 100.

3. COMMODITY PRICES (average for month)

Date.	Wheat, No. 1 N. Manitoba.		Cotton, American Middling.	Wool, 64's tops avge.	Pig-Iron, Cleveland No. 3.		Tin, Standard Cash.	Rubber, Plantation Sheet.
	Per qr.		Per lb.	Per lb.	Per ton.		Per ton.	Per lb.
1930.	s.	d.	d.	d.	s.	d.	£	d.
May	*44*	*$1\frac{1}{2}$*	*8·55*	*$28\frac{3}{4}$*	*67*	*6*	*$144\frac{7}{8}$*	*$6\frac{7}{8}$*
December ...	27	3	5·41	$22\frac{1}{2}$	63	6	$111\frac{5}{8}$	$4\frac{1}{2}$
1931.								
January ...	26	6	5·42	$21\frac{1}{4}$	59	6	$115\frac{7}{8}$	$4\frac{1}{8}$
February ...	28	0	5·86	22	58	6	118	$3\frac{7}{8}$
March	27	7	5·99	$25\frac{1}{8}$	58	6	$121\frac{15}{16}$	$3\frac{3}{4}$
April	28	0	5·68	$24\frac{5}{8}$	58	6	$112\frac{13}{16}$	$3\frac{1}{8}$
May	28	2	5·16	$23\frac{5}{8}$	58	6	$104\frac{3}{8}$	3